

## **DIOCESE OF LAKE CHARLES**

P. O. Box 3223  
Lake Charles, Louisiana 70602  
(337) 439-7400

Received & Inspected

JUL 19 2012

FCC Mail Room

Office of the Secretary  
Federal Communications Commission  
Attention: Disability Rights Office, Room 3-B431  
9300 East Hampton Drive  
Capitol Heights, MD 20743

Case Identifier: **CGB-CC-0275**

July 18, 2012

**Updated Financial Statements and Independent Auditor's Report as  
Additional Supplement to Petition for Exemption from Closed Captioning  
Requirements**

Dear Mr. Holberg,

Per your request of Wednesday, July 18, 2012, I herewith enclose the latest audited financial statement of the Catholic Diocese of Lake Charles in Louisiana, as an additional supplement to the petition for exemption from closed captioning requirements for our program "Glad Tidings."

Thank you.

Morris J. LeBleu  
Director of Communications

Received & Inspected

JUL 19 2012

FCG Mail Room

**The Society of the Roman Catholic Church  
of the Diocese of Lake Charles**

**Lake Charles, Louisiana**

**Financial Statements and Independent Auditors' Report  
Year Ended June 30, 2011**

---

## TABLE OF CONTENTS

	<i>Page</i>
<b><i>Independent Auditors' Report</i></b> .....	1
<b><i>Financial Statements:</i></b>	
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Cash Flows.....	5
Notes to Financial Statements.....	6
<b><i>Supplemental Information:</i></b>	
Schedule of Functional Expenses.....	16

---

# Patin, Pettaway & Pettaway

Certified Public Accountants  
(A Professional Accounting Corporation)

2700 Second Avenue  
Lake Charles, Louisiana 70601  
Telephone (337) 478-6760  
Fax (337) 474-2517

## INDEPENDENT AUDITORS' REPORT

The Most Reverend Glenn John Provost, D.D.  
Bishop of the Diocese of Lake Charles

We have audited the accompanying statement of financial position of The Society of the Roman Catholic Church of the Diocese of Lake Charles, Inc. (the Diocese), as of June 30, 2011, and the related statement of activities and statement of cash flows for the year then ended. These financial statements are the responsibility of the Diocese's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Diocese's prior financial statements and, in our reports dated February 18, 2011 and February 12, 2010, respectively, we expressed a qualified opinion on those financial statements as a result of being unable to obtain audited financial statements or other evidence supporting certain amounts and disclosures. Additionally, those financial statements omitted post retirement benefit obligations from the statement of financial position and the effect of that departure from accounting principles generally accepted in the United States of America was not reasonably determinable.

Except as discussed in the following paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

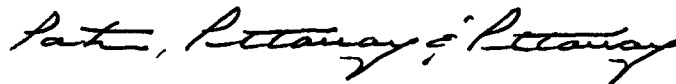
No accounting controls are exercised over cash collections or other revenue prior to the initial entry in the accounting records. Accordingly, it was not practicable for us to extend our audit of such revenue and support beyond the amount recorded. We were unable to obtain audited financial statements or other support for the Diocese's investment in the Louisiana Catholic Worker's Compensation Pool, an unincorporated joint venture carried in the statement of financial position at \$285,116. Additionally, we were not able to obtain audited financial statements supporting the disclosure in Note 1 of summarized financial data of related entities; nor were we able to satisfy ourselves as to the carrying value of the investment or the disclosure in Note 1 by other auditing procedures.

As more fully described in Note 10 to the financial statements, the Diocese has excluded certain post retirement benefit obligations from liabilities in the accompanying statement of financial position. Accounting principles generally accepted in the United States of America require that such obligations be included in the statement of financial position and the effects of this departure on the Diocese's financial position, changes in net assets and cash flows are not reasonably determinable.

In our opinion, except for the effects of not reporting certain post retirement benefit obligations as discussed in the preceding paragraph and the effects of such adjustments, if any, that might have been determined to be necessary had we been able to obtain sufficient evidence regarding the completeness of support and revenue, the disclosure of summarized financial data and the carrying value of the investment referred to in the second preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Diocese as of June 30, 2011 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Most Reverend Glenn John Provost, D.D.  
Bishop of the Diocese of Lake Charles

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, except for the effects of not reporting certain post retirement benefit obligations as more fully described in Note 10 to the financial statements, the schedule of functional expenses is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in cursive script, reading "Pate, Pittman & Pittman".

March 12, 2012

THE SOCIETY OF THE ROMAN CATHOLIC CHURCH OF  
THE DIOCESE OF LAKE CHARLES

Statement of Financial Position

As of June 30, 2011

(With comparative totals as of June 30, 2010 and 2009)

	2011	2010	2009
<b>Assets:</b>			
Cash and equivalents	\$ 9,511,624	\$ 8,269,625	\$ 10,383,190
Investments and securities (Note 3)	910,357	2,851,606	2,703,090
Accounts receivable, net of allowance for doubtful accounts of \$0	120,021	37,966	110,882
Accrued interest receivable	-	14,091	39,115
Grants and contributions receivable in less than one year, less allowance for doubtful accounts of \$0	149,358	75,538	443,826
Loans receivable (Note 11)	128,066	144,423	146,909
Cash value of life insurance policies	669,717	633,851	593,517
Prepaid insurance and other expenses	243,177	598,679	575,849
Property, equipment, and improvements, net (Note 5)	8,010,030	7,627,140	6,830,257
Investments pledged as collateral (Note 3)	100,000	100,000	100,000
Beneficial interest in perpetual trust (Note 7)	1,575,036	1,477,732	1,454,138
<b>TOTAL ASSETS</b>	<b>\$ 21,417,386</b>	<b>\$ 21,830,651</b>	<b>\$ 23,380,773</b>
<b>Liabilities:</b>			
Accounts payable	\$ 496,623	\$ 386,564	\$ 608,320
National collections and other payables	154,343	246,140	522,042
Insurance proceeds payable to parishes (Note 11)	686,823	972,317	1,626,763
Reserve for insurance claims (Note 9)	217,363	128,279	180,177
Contributions payable (Note 11)	785,605	127,514	127,514
Deferred revenue	26,975	37,700	38,850
<b>Total liabilities</b>	<b>2,367,732</b>	<b>1,898,514</b>	<b>3,103,666</b>
<b>Net Assets:</b>			
Unrestricted			
Undesignated	7,102,615	6,820,396	6,193,878
Designated for specific purposes (Note 8)	7,089,247	6,994,005	7,357,024
Total unrestricted net assets	14,191,862	13,814,401	13,550,902
Temporarily restricted (Note 7)	3,274,372	4,640,004	5,272,067
Permanently restricted (Note 7)	1,583,420	1,477,732	1,454,138
<b>Total net assets</b>	<b>19,049,654</b>	<b>19,932,137</b>	<b>20,277,107</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 21,417,386</b>	<b>\$ 21,830,651</b>	<b>\$ 23,380,773</b>

**THE SOCIETY OF THE ROMAN CATHOLIC CHURCH OF  
THE DIOCESE OF LAKE CHARLES**

**Statement of Activities**

**Year ended June 30, 2011**

*(With comparative totals for the year ended June 30, 2010 and 2009)*

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Totals	2010 Totals	2009 Totals
<b>Support and Revenue:</b>						
Parochial tithes	\$ 2,278,921	-	-	2,278,921	1,946,607	1,937,555
Diocesan assessments	5,186,290	137,000	-	5,323,290	4,336,997	4,180,675
Diocesan appeals	95,364	133,775	-	229,139	786,923	784,161
Contributions and bequests	86,966	182,782	-	269,748	1,183,840	595,713
Grants	28,225	585,500	-	613,725	686,148	1,357,067
Investment income (Note 3)	133,617	52,453	105,687	291,757	245,759	7,610
Loss from impairment of property value	-	-	-	-	(48,305)	-
Special programs and other revenues	606,319	80,435	-	686,754	746,290	883,257
Net assets released from restrictions (Note 6)	2,537,577	(2,537,577)	-	-	-	-
<b>TOTAL REVENUE</b>	<b>\$ 10,953,279</b>	<b>\$ (1,365,632)</b>	<b>\$ 105,687</b>	<b>\$ 9,693,334</b>	<b>\$ 9,884,259</b>	<b>\$ 9,746,038</b>
<b>Expenses: **</b>						
<b>Program expenses</b>						
Clergy life	726,819	-	-	726,819	743,777	716,396
Christian formation	1,909,031	-	-	1,909,031	2,125,635	2,052,769
Pastoral services	2,355,871	-	-	2,355,871	2,244,731	2,657,049
Health care and casualty insurance	4,551,032	-	-	4,551,032	4,080,009	4,053,045
<b>Supporting services</b>						
General administration	948,425	-	-	948,425	929,831	985,977
Fund raising	84,641	-	-	84,641	105,246	144,317
<b>TOTAL EXPENSES</b>	<b>\$ 10,575,819</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,575,819</b>	<b>\$ 10,229,229</b>	<b>\$ 10,609,553</b>
<b>Increase (decrease) in net assets</b>	<b>\$ 377,460</b>	<b>\$ (1,365,632)</b>	<b>\$ 105,687</b>	<b>\$ (882,485)</b>	<b>\$ (344,970)</b>	<b>\$ (863,515)</b>
<b>Net assets, beginning of year</b>	<b>13,814,402</b>	<b>4,640,004</b>	<b>1,477,733</b>	<b>19,932,139</b>	<b>20,277,107</b>	<b>21,140,622</b>
<b>Net assets, end of year</b>	<b>\$ 14,191,862</b>	<b>\$ 3,274,372</b>	<b>\$ 1,583,420</b>	<b>\$ 19,049,654</b>	<b>\$ 19,932,137</b>	<b>\$ 20,277,107</b>

\*\* Details by natural classification are reported on page 16.

See Notes to Financial Statements.

**THE SOCIETY OF THE ROMAN CATHOLIC CHURCH OF  
THE DIOCESE OF LAKE CHARLES**

**Statement of Cash Flows**

**Year Ended June 30, 2011**

*(With comparative totals for the year ended June 30, 2010 and 2009)*

	2011	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Increase (decrease) in net assets	\$ (882,485)	\$ (344,970)	\$ (863,515)
Adjustments to reconcile "Increase (decrease) in net assets" to net cash provided by or used in operating activities:			
Non-cash items of (income) or expense included in the change in net assets			
Depreciation	313,429	314,500	292,342
Provision for losses on accounts receivable	6,358	(4,152)	17,310
Non-cash contributions received	-	(250,445)	(45,600)
(Gains) losses from debt and equity securities	(60,750)	(31,946)	111,045
(Gains) losses on securities held in a perpetual trust	(97,304)	(23,594)	102,606
(Gains) losses from impairment of property value	-	48,305	-
(Gains) in cash values of life insurance policies in excess of premiums	(26,220)	(24,679)	(20,972)
(Increase) decrease in operating assets			
Grants and contributions receivable	(73,820)	368,288	13,119
Accounts and loans receivable	(68,389)	79,554	(170,079)
Accrued interest receivable	14,091	25,024	(39,115)
Prepaid expenses	355,502	(22,829)	(248,813)
Increase (decrease) in operating liabilities			
Accounts payable	110,059	(221,756)	(41,151)
National collections and insurance proceeds payable	(377,291)	(930,349)	1,962,530
Contributions payable	658,091	-	127,514
Deferred revenue	(10,725)	(1,150)	(6,175)
Reserves for insurance claims	89,084	(51,898)	466
<b>Net cash provided by (used in) operating activities</b>	<b>(50,370)</b>	<b>(1,072,097)</b>	<b>1,191,512</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Proceeds from sales and maturities of investments	2,449,930	2,294,008	260,619
Purchases of investments	(451,596)	(2,410,578)	(2,306,116)
Increase in cash values of life insurance policies from premiums	(9,646)	(15,655)	(19,747)
Construction and acquisition of property and equipment	(696,319)	(909,243)	(315,608)
<b>Net cash provided by (used in) investing activities</b>	<b>1,292,369</b>	<b>(1,041,468)</b>	<b>(2,380,852)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
<b>Net increase in cash and equivalents</b>	<b>1,241,999</b>	<b>(2,113,565)</b>	<b>(1,189,340)</b>
Cash and equivalents, beginning of year	8,269,625	10,383,190	11,572,530
<b>Cash and equivalents, end of year</b>	<b>\$ 9,511,624</b>	<b>\$ 8,269,625</b>	<b>\$ 10,383,190</b>



# **The Society of the Roman Catholic Church of The Diocese of Lake Charles**

## *Notes to Financial Statements*

### **1. Organization and Basis of Presentation:**

The Society of the Roman Catholic Church of the Diocese of Lake Charles Inc., (The Diocese) is a not-for-profit corporation organized under the laws of the State of Louisiana in 1980. The Bishop of the Diocese is the president and the president of thirty-eight Catholic parishes and two Catholic schools, all of which are incorporated in the State of Louisiana. Accordingly, the Bishop significantly influences the operations of all Catholic entities within the geographical area under his authority, which encompasses the civil parishes of Allen, Beauregard, Calcasieu, Cameron and Jefferson Davis. Numerous financial transactions occur in the ordinary course of business between the Diocese and the related parishes and schools including contributions of financial resources to support the operations of the Roman Catholic Church in Southwest Louisiana. These financial statements include only those accounts that reflect the financial position, changes in net assets and cash flows of the Diocese.

A summary of financial data of the affiliated Catholic parishes and schools as of June 30, 2011 and for the year then ended is presented below.

Total non-fixed assets	\$ 19,197,996
Total fixed assets	105,261,253
Total assets	<u>\$124,459,249</u>
Total liabilities	3,009,546
Total net assets	121,449,703
Total liabilities and net assets	<u>\$124,459,249</u>
Total revenue	\$ 24,472,595
Total expenses	\$ 19,287,386

### **2. Summary of Significant Accounting Principles:**

#### **Financial Statement Presentation**

The financial statements are presented in accordance with generally accepted accounting standards established by the Financial Accounting Standards Board (FASB) and contained in its Accounting Standards Codification (ASC) section 958. The FASB codification is the single source of authoritative non-governmental accounting standards in the United States of America. Accordingly, the Diocese is required to report information regarding its financial position and changes in net assets using three classifications of assets, unrestricted, temporarily restricted and permanently restricted. The financial statements include information from prior years summarized for comparison purposes only. The prior year information does not include sufficient detail to constitute a presentation in accordance with generally accepted accounting principles and, accordingly, should be read in conjunction with the Diocese's annual financial statements for those years from which such information was derived.

**The Society of the Roman Catholic Church of  
The Diocese of Lake Charles**

*Notes to Financial Statements*

**2. Summary of Significant Accounting Principles (continued):**

**Cash and Equivalents**

Cash and equivalents include cash in bank deposit accounts, money market accounts, U.S. Treasury Bills with 90 day maturities or less and interest bearing securities held by financial institutions under repurchase agreements with the Diocese. Cash and equivalents are reported in the financial statements at cost, which approximates fair value.

**Investments and Securities**

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported in the financial statements at fair value determined by reference to quoted market prices and other relevant information. Investments in all unincorporated self-insurance pools are accounted for at the lower of cost or fair value. In accordance with the consensus opinion of the Emerging Issues Task Force of the Financial Accounting Standards Board, the equity method of accounting previously applied by the Diocese to its investment in the Louisiana Catholic Workers Compensation Pool, an unincorporated self-insurance pool carried in the statement of financial position at \$285,116 was discontinued.

**Restricted and Unrestricted Revenue Recognition**

Financial resources contributed to the Diocese are recorded as increases in unrestricted, temporarily restricted, or permanently restricted assets depending on the existence and nature of donor restrictions. Temporarily restricted assets are reclassified as increases in unrestricted assets upon satisfaction of time and purpose restrictions. The amounts reclassified are reported in the Statement of Activities as, "Net Assets Released from Restrictions."

**Property and Equipment**

Property and equipment purchases are capitalized at cost. Donated property and equipment are recorded at the estimated fair value at the date of gift. Depreciation expense is recognized under the straight-line method over the estimated useful lives of the assets.

**Federal and State Income Taxes**

The Diocese is exempt from federal and state income tax under section 501(c) (3) of the Internal Revenue Code and Louisiana Revised Statute 47:287.501.

**Functional Allocation of Expenses**

The costs of providing various programs and activities of the Diocese have been summarized on a functional basis in the Statement of Activities. Certain indirect costs have been allocated to the functional areas.

**Donated Services**

No amounts have been reflected in the financial statements for donated services.

**The Society of the Roman Catholic Church of  
The Diocese of Lake Charles**

*Notes to Financial Statements*

**2. Summary of Significant Accounting Principles (continued):**

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and disclosures in the financial statements. Considerable uncertainty and variability are inherent in such estimates and, accordingly, the subsequent development of such assets or liabilities may not conform to the assumptions used in their estimation and therefore may vary from the amounts reported in the financial statements.

**3. Investments and Securities:**

The following schedule summarizes investments and securities reported as of June 30, 2011.

	<b>Carrying Value</b>
Certificates of deposits held in trust	\$200,000
Certificates of deposits held in bank accounts	200,000
Mutual funds	219,176
Common stock	106,065
Self-Insurance pools, at cost	285,116
<b>Total Investments</b>	<b>\$1,010,357</b>

The Diocese granted to the Louisiana Office of Workers' Compensation a continuing security interest in a \$100,000 certificate of deposit to partially secure the payment of obligations arising from the Diocese's participation in the Louisiana Catholic Workers' Compensation Pool. The investment is reported separately in the statement of financial position. The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2011.

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Interest and dividend income	\$ 31,273	\$ 2,773	\$ 8,383	\$ 42,429
Interest income credited to life insurance policies	26,221	-0-	-0-	26,221
Perpetual trust distributions	-0-	49,680	-0-	49,680
Gains in common stock and mutual funds carried at fair value	58,266	-0-	97,304	155,570
Income from self-insurance pools	17,857	-0-	-0-	17,857
<b>Net investment income</b>	<b>\$133,617</b>	<b>\$ 52,453</b>	<b>\$105,687</b>	<b>\$291,757</b>

**The Society of the Roman Catholic Church of  
The Diocese of Lake Charles**

*Notes to Financial Statements*

**4. Fair Value Measurements:**

Fair values of assets measured on a recurring basis at June 30, 2011 are as follows:

	<b>Fair Values</b>	<b>Active Market Quotes for Identical Assets (Level 1)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Certificates of deposit	\$ 400,000	\$ 400,000	\$ -0-
Mutual funds	219,176	219,176	-0-
Common stock	106,065	106,065	-0-
Loans receivable	128,066	-0-	128,066
Life insurance contracts	669,717	-0-	669,717
Beneficial interest in a perpetual trust	1,575,036	1,575,036	-0-
<b>Total</b>	<b>\$3,098,060</b>	<b>\$2,300,277</b>	<b>\$797,273</b>

Fair values of certificates of deposit, mutual funds and common stocks are determined by reference to quoted market prices and other relevant information generated by market transactions. The fair value of the beneficial interest in a perpetual trust is determined by quoted market prices of the underlying securities. In accordance with FASB ASC section 958-605-30-6, grants and contributions receivable in less than one year totaling \$149,358 are measured at net realizable value which results in a reasonable estimate of fair value.

The following schedule is a reconciliation of beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	<b>Loans Receivable</b>	<b>Life Insurance Contracts</b>
<b>Beginning Balances</b>	\$144,423	\$633,851
New loans	-0-	-0-
Less loan repayments	16,357	-0-
Insurance premiums in excess of costs	-0-	9,645
Interest income credited to insurance policies	-0-	26,221
<b>Ending Balances</b>	<b>\$128,066</b>	<b>\$669,717</b>

No unrealized gains or losses in assets valued using level 3 inputs are included in the change in net assets for the year ended June 30, 2011.

**The Society of the Roman Catholic Church of  
The Diocese of Lake Charles**

*Notes to Financial Statements*

**5. Property and Equipment:**

The following schedule is a summary of investments in property and equipment at June 30, 2011:

St. Charles Retreat Center	\$ 6,211,137
Chancery building	1,739,041
Seafarers' Center	290,301
Perry building	332,469
Diocesan residence	818,833
Catholic Charities Service Center	949,457
Office of Catholic schools	31,582
Kirby street properties	530,099
St John Vianney House	25,000
Other assets	592,965
<b>Total</b>	<b>11,520,884</b>
Less Accumulated Depreciation	3,510,854
<b>Net Property and Equipment</b>	<b><u>\$ 8,010,030</u></b>

Total property and equipment includes non-depreciable investments totaling \$1,834,034, consisting of land, construction in progress expenditures, statues and other collectibles. Six parcels of land with a carrying value of \$357,516 are not held for use in current operations. Five of the six parcels were acquired from donor bequests. Depreciation expense totaled \$313,429.

**6. Net Assets Released from Restrictions:**

Temporarily restricted assets totaling \$2,537,577 were released from restrictions as a result of specific program expenses incurred during the year ended June 30, 2011. The following schedule summarizes the program expenses on a functional basis.

**Purpose Restrictions:**

Clergy life and support	\$ 408,282
Christian formation	241,194
Pastoral services and support	1,428,500
Fund raising	24,951
Catholic Charities Service Center construction	434,650
<b>Total</b>	<b><u>\$2,537,577</u></b>

**The Society of the Roman Catholic Church of  
The Diocese of Lake Charles**

*Notes to Financial Statements*

**7. Temporarily and Permanently Restricted Assets:**

Temporarily and permanently restricted assets are available for the following purposes at June 30, 2011.

	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>
Grant receivable-support for needy parishes	\$ 62,500	\$ -0-
Grant receivable-Hurricane disaster relief	69,000	
Cash-Immigration assistance	214,799	
Cash-Employment of development director	83,507	-0-
Cash-St. Patrick Mission	2,562	-0-
Cash-Christian formation	20,442	-0-
Cash-Humanitarian support	415,558	-0-
Cash-Seminarian support	389,265	-0-
Cash-Hurricane disaster recovery and assistance	2,007,852	-0-
Cash-Miscellaneous programs	8,887	8,384
Investment securities held in a perpetual trust	-0-	1,575,036
<b>Total</b>	<b>\$3,274,372</b>	<b>\$1,583,420</b>

The fair value of investment securities held in a perpetual trust totaled \$1,575,036. Under the terms of the trust, the original principal shall be invested in perpetuity and the income distributed to the Diocese to benefit the poor and needy including direct assistance for food, clothing, housing, medical and other basic needs. The income may also be used to provide academic scholarships for academically deserving financially needy students seeking a baccalaureate degree from a Louisiana public or private accredited college or university who would otherwise not be able to continue their education.

**8. Designations of Unrestricted Assets:**

Designated net assets represent unrestricted assets subject to self-imposed restrictions on the use of such assets. Management has designated specific amounts of unrestricted net assets as of June 30, 2011 in order to provide financial resources for future program funding as follows;

Operation of St. Charles Retreat Center	\$ 175,987
Scholarships for Catholic education	222,951
Diocesan clergy retirement	1,417,475
Clergy long term care program	277,005
Self insured health care program	1,290,838
Seminarian education funding	1,665,894
Property and casualty insurance program	1,584,951
Bishop's discretionary funds	409,093
Deaf Center and Bethany Cemetery	43,186
Planned giving program	1,867
<b>Total</b>	<b>\$7,089,247</b>

# **The Society of the Roman Catholic Church of The Diocese of Lake Charles**

## *Notes to Financial Statements*

### **9. Insurance Programs and Significant Estimates:**

The Diocese maintains a self-insured hospitalization insurance program for employees of the Diocese as well as Catholic parishes, schools and other related organizations. The program is administered through the Louisiana Health Service and Indemnity Company d/b/a/ Blue Cross Blue Shield of Louisiana under a contract with the Diocese and funded with premiums paid to the Diocese by each participating entity. The Diocese reimburses Blue Cross for the first \$75,000 of claims paid per participant during the policy period limited to a total of \$2,711,136 aggregate claim costs for all participants. Blue Cross underwrites the reinsurance policy issued to the Diocese, which covers claims paid by Blue Cross in excess of the specific or aggregate limit. Management has established a reserve for estimated incurred but not reported claims of \$185,703 with a corresponding charge against current year revenue.

The Diocese maintains property and liability insurance coverage for all Catholic parishes, schools and other related organizations. The self-insured retention is \$25,000 per location for property coverage and \$25,000 per occurrence for liability coverage with an annual aggregate limit of \$225,000. Property coverage for named storms is limited to \$30,000,000 and the deductible is 3% of the insured value of each building. The loss exposure for named storms is not subject to the \$25,000 per location self-insured retention. Flood insurance coverage is limited to \$250,000 per location except those locations in specific flood zones which are subject to a deductible of \$500,000 before the \$250,000 coverage applies. The \$500,000 deductible is insured under the Federal Flood Insurance Program. Flood coverage under the Diocesan insurance program is limited to \$5,000,000 per occurrence. General liability coverage is limited to \$500,000 with excess liability coverage extending to \$10,000,000 subject to various limits based on the nature of the claim. Management has established a reserve for estimated claim costs of \$31,660 on claims reported through June 30, 2011, with a corresponding charge against current year revenue.

The Diocese is a participant in the Catholic Umbrella Pool II, (Cup II) a self-insurance pool that participates in excess liability coverage for its membership on claims exceeding \$1,500,000 to a limit of \$5,000,000. Participating Dioceses are responsible for any losses in excess of the Cup II's obligations. The Diocese's investment in the Cup II is reported as a component of investments and securities in the statement of financial position with a carrying value of \$0 in accordance with the cost method of accounting.

The Diocese is a participant in the Louisiana Catholic Workers' Compensation Pool, (LCWCP) an unincorporated self-insurance pool created to provide workers' compensation insurance coverage to its membership consisting of four Catholic dioceses in Louisiana. For claims arising after January 1, 2008, the LCWCP is responsible for the first \$400,000 of claim costs per occurrence with an estimated aggregate limit of claim cost of \$3,439,796. The LCWCP maintains excess insurance coverage for claim costs exceeding its specific and aggregate risk retention. The aggregate excess insurance coverage is limited to \$5,000,000. The Diocese's investment in the LCWCP is reported as a component of investments and securities in the statement of financial position and carried at \$285,116. In accordance with the consensus opinion of the Emerging Issues Task Force of the Financial Accounting Standards Board, the equity method of accounting previously applied to the Diocese's investment has been discontinued. No subsequent evaluations of impairment have been made by management.

**The Society of the Roman Catholic Church of  
The Diocese of Lake Charles**

*Notes to Financial Statements*

**10. Retirement Plans and Post Retirement Benefits:**

The Diocese sponsors a defined contribution retirement plan under Internal Revenue Code Section 403(b) for all lay employees. Tax deferred contributions are made to segregated accounts through voluntary salary reduction agreements. The Diocese matches employee contributions up to 1.5% of their annual compensation.

The Diocese also maintains a defined contribution pension plan under Internal Revenue Code Section 401(a), which allows employees to make after tax contributions that are pooled and invested in a fixed income account. The Diocese matches employee contributions up to 1.5% of their annual compensation and contributes a fixed amount of \$904 annually for all diocesan priests not assigned to a parish. Retirement contributions on behalf of all diocesan priests assigned to parishes are paid from the general assets of the parish. Contributions by the Diocese to all defined contribution type plans for the year ended June 30, 2011 totaled \$18,950.

The Diocese has a policy of providing specific retirement benefits to all retired diocesan priests, which is similar in substance to a defined benefit plan. Under the policy the Diocese pays from its general assets a monthly retirement benefit in an amount that, when added to the monthly pension annuity available under the defined contribution plan equals the base salary of the retiree before retirement. For the year ended June 30, 2011, payments under the policy totaled \$244,978. The Diocese received \$40,000 from a grant, \$111,562 from an annual collection, \$34,841 from an annual fund raising event and \$57,019 from a parish assessment to provide funding for its defined benefit pension obligations. Retirement expense for the year ended June 30, 2011 totaled \$263,928.

The Diocese has a policy of providing post retirement health care benefits to all diocesan priests. Under generally accepted accounting principles, post retirement health care and retirement benefits are deferred compensation arrangements, the cost of which should be recognized over the period of service rendered by those eligible to participate.

FASB ASC section 715 requires the recognition of the funded status of a benefit plan, measured as the difference between plan assets at fair value and the benefit obligation. The benefit obligation is generally an amount representing the present value of the pension and post retirement health care benefits attributed to employee service rendered prior to the date of the statement of financial position. The net periodic pension and post retirement health care expense consists of several components including a service cost, which is the present value of benefits attributed to employee service during the reporting period, an interest cost, which is the increase in the benefit obligations as a result of the passage of time, and certain gains and losses related to the value of plan assets and changing assumptions used in estimating the benefit obligation. Additional disclosures are required by FASB ASC section 715.

The financial statements do not disclose the funded status of the plan or other required disclosures and the periodic pension and post retirement health care expenses are recognized as payments are made.



# **The Society of the Roman Catholic Church of The Diocese of Lake Charles**

## *Notes to Financial Statements*

### **11. Related Party Transactions:**

As disclosed in Note 1, numerous financial transactions occur in the ordinary course of business between the Diocese and all Catholic parishes and schools. The parochial tithe totaling \$2,278,921 resulted from parish contributions of 13% of their collections to the Diocese. Diocesan assessments totaled \$5,323,290 and are used to fund health care benefits for employees of all Catholic entities, property and liability insurance coverage for all diocesan, parish and school operations, seminarian education costs and retirement obligations to diocesan priests. The Diocese provides subsidies and grants to parishes for evangelization, religious education, pastoral programs and hurricane disaster assistance where hurricane losses exceeded available insurance proceeds. Subsidies and grants to Catholic parishes and schools during the year totaled \$1,509,326.

Insurance proceeds related to hurricane losses totaled \$686,823 and were payable to two parishes at June 30, 2011 and are included on the statement of financial position as a component of total liabilities. The Diocese provided a loan to supplement another parish's resources that were available to renovate its church. Concurrently, the Diocese committed to provide funding to the parish to repay the loan as resources become available. The loan receivable of \$113,389 is included in total loans receivable of \$128,066 in the statement of financial position. A contribution payable for \$113,389 is reported in the statement of financial position as a component of total liabilities. The balance is expected to be paid as funds become available.

The Diocese committed to contribute to a parish under a diocesan policy to provide a rebate of parochial tithe paid on the proceeds of fund raising efforts for any twelve month period after the parish receives the Bishop's approval of a building project. The rebate is expected to be paid in the subsequent fiscal year of the Diocese. A contribution payable representing the rebate of \$143,049 is reported in the statement of financial position as a component of total liabilities.

The Diocese has committed to contribute to the funding of design and construction costs in excess of available insurance proceeds for two parish facilities located in Cameron Parish. The contributions are expected to be paid in the subsequent fiscal year of the Diocese. Accordingly, a contribution payable for \$529,167 is reported in the statement of financial position as a component of total liabilities.

### **12. Concentrations of Credit Risk and Economic Resources:**

Prior to the Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA), the Diocese maintained its cash in bank deposit accounts in amounts that exceeded federal deposit insurance limits. Section 343 of the DFA provides temporary unlimited deposit insurance coverage of non-interest bearing transaction accounts at all FDIC-insured depository institutions. The DFA deposit insurance provision is effective December 31, 2010 through December 31, 2012. The amount of bank deposits at June 30, 2011 in excess of FDIC coverage totaled \$1,719,999. Other financial instruments owned by the Diocese that result in significant concentrations of credit risk include \$1,229,235 in money market funds held in brokerage accounts, grants and contributions receivable of \$149,358 and life insurance contracts with cash values totaling \$510,541 with a single insurance company. The Diocese does not require collateral or specific segregation of the securities to mitigate its risk concentrations in financial instruments.

**The Society of the Roman Catholic Church of  
The Diocese of Lake Charles**

*Notes to Financial Statements*

**12. Concentrations of Credit Risk and Economic Resources:**

Financial support for the Diocese is derived primarily through the parochial tithe and other assessments of Catholic entities located in Southwest Louisiana. The Diocese receives grants of approximately \$550,000 annually from four national Catholic organizations. These concentrations make the Diocese vulnerable to the risk of severe impact in the event of adverse economic or climatological conditions in the geographic area of the Diocese or in the fund raising activities of the national Catholic organizations.

**13. Commitments:**

The Diocese receives financial resources that are subject to donor restrictions on the time or manner of use. Total restricted resources held by the Diocese at June 30, 2011 and the restrictions to which the Diocese has committed are reported in Note 7. The Diocese intends to contribute approximately \$1,336,805 toward the funding of construction costs for a new parish hall. The contribution is contingent on the final approval of the building project.

---

**The Society of the Roman Catholic Church  
of the Diocese of Lake Charles**

**Lake Charles, Louisiana**

**Supplemental Information  
Year Ended June 30, 2011**

THE SOCIETY OF THE ROMAN CATHOLIC CHURCH OF  
THE DIOCESE OF LAKE CHARLES

Schedule of Functional Expenses

Year Ended June 30, 2011

(With comparative totals for the year ended June 30, 2010 and 2009)

	CLERGY LIFE	CHRISTIAN FORMATION	PASTORAL SERVICES	HEALTH CARE & CASUALTY INSURANCE	GENERAL	FUND RAISING	2011 TOTALS	2010 TOTALS	2009 TOTALS
Assessments	\$ -	\$ 21,863	\$ 2,263	\$ -	\$ 42,306	\$ -	\$ 66,432	\$ 59,050	\$ 57,667
Accounting, auditing & consulting	-	-	-	-	56,795	-	56,795	52,100	52,005
Auto & residence allowances	6,120	12,240	10,800	-	36,300	-	65,460	70,520	70,983
Books, periodicals & publications	2,417	27,418	2,231	-	5,047	12,285	49,398	48,625	37,969
Charitable donations	2,000	-	213,664	-	-	-	215,664	298,937	247,393
Clergy welfare assistance	34,611	-	-	-	150	-	34,761	60,616	162,225
Contracted services	28,754	135,471	54,955	214,241	52,790	24,951	511,162	557,275	521,207
Dues & memberships	2,000	4,352	2,638	-	6,272	100	15,362	10,139	11,874
Facility & equipment rental	-	9,625	8,989	-	1,850	-	20,464	36,586	55,890
Hospitalization claims	-	-	-	2,151,210	-	-	2,151,210	1,761,197	1,863,573
Hospitalization insurance	10,277	-	-	466,518	-	-	476,795	405,187	338,253
Hurricane disaster assistance	-	-	813,087	-	-	-	813,087	609,998	1,038,416
Life insurance	-	-	-	-	573	16,946	17,519	10,775	14,823
Newspaper	-	191,439	-	-	-	-	191,439	189,708	153,176
Occupancy costs (A)	8,337	103,114	30,052	-	89,429	5,757	236,689	230,294	207,232
Office supplies & expenses	866	33,139	9,666	435	28,665	5,252	78,023	87,430	90,072
Other expenses	-	3,602	-	-	-	531	4,133	3,196	27,053
Payroll & other taxes	869	37,313	13,167	-	28,658	810	80,817	99,907	89,215
Postage & shipping	850	6,593	902	574	11,366	812	21,097	22,215	21,163
Property & casualty claim costs	-	-	-	71,925	-	-	71,925	81,356	49,015
Property & casualty insurance	16,410	70,903	12,830	1,643,307	6,662	187	1,750,299	1,724,345	1,701,443
Provision for bad debts	-	-	-	-	6,358	-	6,358	-	17,310
Public relations	2,273	29,461	3,053	44	56,594	2,521	93,946	68,671	56,102
Repairs & maintenance	10,327	96,974	46,142	-	20,422	19	173,884	275,147	412,053
Residence & retreat center supplies	15,740	80,809	-	-	-	-	96,549	104,471	118,760
Retirement expense	249,862	4,445	3,088	-	6,533	-	263,928	256,457	240,244
Salaries	30,240	611,969	173,306	-	389,675	10,587	1,215,777	1,338,353	1,288,287
Seminars, retreats & conferences	6,897	153,049	7,522	1,418	10,179	20	179,085	264,435	192,131
Subsidies & grants	23,142	20,000	704,713	-	-	-	747,855	644,691	746,249
Telephone expense	3,221	11,613	98,499	-	9,524	89	122,946	103,801	112,557
Television & radio	-	122,189	-	-	-	-	122,189	124,305	100,002
Travel & transportation	3,944	13,897	21,383	1,360	32,792	280	73,656	52,612	45,911
Tuitions & seminarian costs	229,739	7,947	-	-	-	-	237,686	262,330	176,958
	688,896	1,809,425	2,232,950	4,551,032	898,940	81,147	10,262,390	9,914,729	10,317,211
Depreciation expense	37,923	99,606	122,921	-	49,485	3,494	313,429	314,500	292,342
<b>Totals</b>	<b>\$726,819</b>	<b>\$ 1,909,031</b>	<b>\$ 2,355,871</b>	<b>\$ 4,551,032</b>	<b>\$948,425</b>	<b>\$ 84,641</b>	<b>\$ 10,575,819</b>	<b>\$ 10,229,229</b>	<b>\$ 10,609,553</b>

(A) Allocated indirect costs to functional categories